

Example 1

Match each term or concept with the appropriate definition or explanation.

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| 1 Customs union | a Refers to the increased trade following the establishment of a regional trading bloc where production shifts away from higher-cost domestic producers to lower-cost imports from other members |
| HL 2 Trade creation | b Results when countries eliminate tariff and other barriers of trade between them and, in addition, adopt a common external tariff on imports from non-members |
| 3 Economic (and monetary) union | c The weakest form of economic integration where tariff reductions are only offered to some product categories from certain countries; the term may also refer to all forms of regional trading blocs |
| 4 Economic integration | d When countries have achieved free trade in goods and services (having also adopted a common external tariff), free movement in labour and capital and, in addition, agreed to coordinate certain economic policies (particularly macroeconomic and regulatory policy), even adopting a common currency |
| 5 Common market | e Results when members of a customs union integrate further by agreeing, in addition, to permit free movement of labour and capital |
| 6 Free trade area | f A process aimed at decreasing or eliminating trade as well as other economic barriers between countries to facilitate trade and, more generally, economic activity |
| HL 7 Trade diversion | g When, following the establishment of a regional trading bloc, trade shifts away from a more efficient non-member towards an artificially cheaper member |
| 8 Preferential trade agreement | h Results when a group of countries agree to eliminate tariff (and other) barriers between themselves, but with each maintaining its own external tariff on non-members |